



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/30/2001

GAIN Report #BR1616

Brazil

Grain and Feed

Update for August Lockup

2001

Approved by:

William W. Westman

U.S. Embassy

Prepared by:

Kimberly L. Svec

Report Highlights:

Post raised the 2001 wheat production forecast 8 percent to 2.8 million tons and lowered imports and consumption by 200,000 tons. The 2000/01 corn production forecast was raised to 40 million tons due to expectations of a strong second crop, while 2000/01 forecast for area and production was lowered 10 percent as producers are likely to increase soybean and cotton area at the expense of corn. The 2000/01 and 2001/02 rice production forecasts were lowered 4 percent and 2 percent, respectively, as large regional stocks and low prices continue to discourage production.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Brasilia[BR1], BR

| | |
|-------------------------|--------------------------|
| Executive Summary | <u>1</u> |
| Wheat | <u>2</u> |
| Wheat PS&D | <u>2</u> |
| Corn | <u>3</u> |
| Corn PS&D | <u>3</u> |
| Rice | <u>4</u> |
| Rice PS&D | <u>4</u> |

Executive Summary

Post raised the 2001 wheat production forecast 8 percent to 2.8 million tons due to expectations of favorable weather for the winter crop. Post lowered wheat imports and consumption by 200,000 tons for 2001, as the domestic energy shortage and economic crisis in Argentina are expected to slow economic growth in Brazil, thereby dampening demand for wheat products.

The 2000/01 corn production forecast was raised to 40 million tons due to expectations of a strong second corn crop (safrinha). Strong soybean and cotton prices relative to corn are expected to reduce area planted to corn. Therefore, post reduced the corn area and production forecasts 10 percent, resulting in a harvest of 36 million tons in 2001/02.

Post lowered the 2000/01 and 2001/02 rice production forecasts 4 percent and 2 percent, respectively, as large regional stocks and low prices continue to discourage production.

Wheat

Post increased 2000 wheat area and production 2 percent after reviewing the latest government statistics on last year's frost-damaged crop. The forecast for 2001 wheat area was raised 2 percent, while production was increased nearly 8 percent. Due to low corn prices, producers in the South would have preferred to plant up to 20 to 30-percent more wheat for the winter crop. However, a shortage of seed limited the expansion in wheat area to only 4.5 percent.

Given continued favorable weather conditions, Brazil is expected to enjoy a much larger wheat harvest in 2001. Some forecasts indicate that the harvest could exceed 3 million tons, while others expect less than the 2.85 million tons CONAB is forecasting as the winter crop is often damaged by poor weather. Post is forecasting a harvest of 2.8 million tons for 2001.

Brazil is currently suffering from a domestic energy shortage and from the economic crisis in Argentina. The Brazilian currency has been falling steadily against the dollar this year, thereby raising the cost of imports. Post lowered 2001 wheat imports and consumption by 200,000 tons due to expectations of weaker demand as a result of slower economic growth.

Wheat PS&D

| PSD Table | | | | | | |
|------------------------|---------|---------|-------------|---------|--------------------|---------|
| Country | Brazil | | | | | |
| Commodity | Wheat | | | | (1000 HA)(1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 10/1999 | | 10/2000 | | 10/2001 |
| Area Harvested | 1252 | 1252 | 1444 | 1468 | 1500 | 1535 |
| Beginning Stocks | 775 | 846 | 1150 | 932 | 645 | 90 |
| Production | 2403 | 2403 | 1595 | 1658 | 2600 | 2800 |
| TOTAL Mkt. Yr. Imports | 7555 | 7733 | 7700 | 7700 | 7300 | 7600 |
| Jul-Jun Imports | 7196 | 7227 | 7600 | 7700 | 7300 | 7600 |
| Jul-Jun Import U.S. | 79 | 150 | 0 | 100 | 0 | 600 |
| TOTAL SUPPLY | 10733 | 10982 | 10445 | 10290 | 10545 | 10490 |
| TOTAL Mkt. Yr. Exports | 4 | 0 | 0 | 0 | 0 | 0 |
| Jul-Jun Exports | 4 | 0 | 0 | 0 | 0 | 0 |
| Feed Dom. Consumption | 200 | 200 | 300 | 500 | 300 | 200 |
| TOTAL Dom. Consumption | 9579 | 10050 | 9800 | 10200 | 9800 | 10300 |
| Ending Stocks | 1150 | 932 | 645 | 90 | 745 | 190 |
| TOTAL DISTRIBUTION | 10733 | 10982 | 10445 | 10290 | 10545 | 10490 |

Corn

Post revised the 2000/01 corn production forecast to 40 million tons due to expectations of a strong second corn crop (safrinha). This year's safrinha is being forecasted above 6 million tons, nearly 60 percent higher than last year's frost-damaged crop. The forecast for 2001 ending stocks was raised due to the expected increase in production.

Relative prices between soybeans, corn, and cotton will determine planted acreage between the respective crops in 2001/02. The recent weakening of the Brazilian currency relative to the dollar is amplifying the difference between soybean and corn prices, as soybeans are an export crop and corn is produced for domestic consumption and has low liquidity. Traditionally, one bag of soybeans is equivalent to roughly 1.8 bags of corn. However, the current ratio is 1:2.4. These figures suggest that producers will increase soybean area at the expense of corn. In the center-west, producers are also more likely to favor cotton over corn due to price differences, further reducing next year's corn area. Therefore, post reduced the corn area and production forecasts 10 percent, resulting in a harvest of 36 million tons of corn in 2001/02.

Corn PS&D

| PSD Table | | | | | | |
|------------------------|---------|---------|-------------|---------|--------------------|---------|
| Country | Brazil | | | | | |
| Commodity | Corn | | | | (1000 HA)(1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 04/2000 | | 04/2001 | | 04/2002 |
| Area Harvested | 12490 | 12490 | 14000 | 13570 | 13500 | 12213 |
| Beginning Stocks | 1000 | 1416 | 600 | 677 | 2150 | 1841 |
| Production | 31641 | 31641 | 40000 | 40000 | 38000 | 36000 |
| TOTAL Mkt. Yr. Imports | 1500 | 2100 | 250 | 400 | 100 | 300 |
| Oct-Sep Imports | 1789 | 2000 | 600 | 400 | 200 | 300 |
| Oct-Sep Import U.S. | 43 | 79 | 0 | 50 | 0 | 0 |
| TOTAL SUPPLY | 34141 | 35157 | 40850 | 41077 | 40250 | 38141 |
| TOTAL Mkt. Yr. Exports | 350 | 0 | 2700 | 3000 | 1000 | 1200 |
| Oct-Sep Exports | 50 | 0 | 3000 | 3000 | 1000 | 1200 |
| Feed Dom. Consumption | 28000 | 29300 | 32000 | 32000 | 34000 | 32500 |
| TOTAL Dom. Consumption | 33191 | 34480 | 36000 | 36236 | 38000 | 36500 |
| Ending Stocks | 600 | 677 | 2150 | 1841 | 1250 | 441 |
| TOTAL DISTRIBUTION | 34141 | 35157 | 40850 | 41077 | 40250 | 38141 |

Rice

Large regional stocks and low prices continue to weigh on the domestic rice industry and discourage production. Post lowered the 2000/01 and 2001/02 rice production forecasts 4 percent and 2 percent to 7.05 million tons and 7.2 million tons, respectively.

Brazil's large cumbersome stocks are encouraging the government to explore export possibilities and options, although no major dealings have been announced. An article in the Gazeta Mercantil on July 30, 2001 discusses the prospect a sale of 400,000 tons of Brazilian rice to Iran, possibly in exchange for oil. Other recent newspaper articles discuss interest in entering the export markets to unload Brazil's burdensome stocks.

Rice PS&D

| | | | | | | |
|------------------------|--------------|---------|-------------|---------|--------------------|---------|
| PSD Table | | | | | | |
| Country | Brazil | | | | | |
| Commodity | Rice, Milled | | | | (1000 HA)(1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 04/2000 | | 04/2001 | | 04/2002 |
| Area Harvested | 3678 | 3678 | 3338 | 3250 | 3340 | 3300 |
| Beginning Stocks | 1205 | 1285 | 1589 | 1641 | 1432 | 1067 |
| Milled Production | 7768 | 7768 | 7336 | 7050 | 7350 | 7200 |
| Rough Production | 11424 | 11424 | 10788 | 10368 | 10809 | 10588 |
| MILLING RATE (.9999) | 6800 | 6800 | 6800 | 6800 | 6800 | 6800 |
| TOTAL Imports | 600 | 602 | 490 | 490 | 525 | 500 |
| Jan-Dec Imports | 600 | 700 | 500 | 500 | 500 | 500 |
| Jan-Dec Import U.S. | 2 | 2 | 0 | 2 | 0 | 0 |
| TOTAL SUPPLY | 9573 | 9655 | 9415 | 9181 | 9307 | 8767 |
| TOTAL Exports | 25 | 58 | 25 | 156 | 25 | 100 |
| Jan-Dec Exports | 25 | 50 | 25 | 0 | 25 | 100 |
| TOTAL Dom. Consumption | 7959 | 7956 | 7958 | 7958 | 8000 | 7960 |
| Ending Stocks | 1589 | 1641 | 1432 | 1067 | 1282 | 707 |
| TOTAL DISTRIBUTION | 9573 | 9655 | 9415 | 9181 | 9307 | 8767 |